

LOTTERY AND GAMING TAX CREDIT

The lottery and gaming credit provides direct property tax relief to qualifying taxpayers in the form of a credit on their property tax bills.

Background

In April 1987, Wisconsin voters approved an amendment to the state constitution authorizing the Legislature to create a state-operated lottery. The amendment directed that the net proceeds of the lottery were to be used for property tax relief. Legislation creating the lottery was enacted in November 1987, and the first sales occurred in 1988.

From 1988 to 1991, net lottery proceeds were used to supplement school equalization aids, to fund a farmland tax relief credit, and to fund the state assumption of district attorney salaries, which had been previously paid by counties. In a May 1991 decision, the Dane County Circuit Court held that using net lottery proceeds to supplement school equalization aids did not constitute property tax relief as intended by the voters. In August 1991 the Legislature responded by enacting the lottery tax credit.

For the 1991/92 to 1995/96 property tax years, the credit was provided only to property owned and used as a "primary residence," defined as the place where an individual lives most of the time. The credit was computed as the school property tax on a certain amount of the value of the primary residence. For example, the 1995/96 credit equaled the school tax on the first \$8,200 in value.

The legality of the lottery credit was challenged by a group of nonresident vacation homeowners. In an October 1996 decision, the Dane County Circuit Court held that property tax relief generated by net lottery proceeds had to be distributed in conformance with the state constitution's uniformity in taxation clause. The decision effectively prohibited distribution of a credit for the 1996/97 property tax year.

In 1997, the Legislature revised the lottery credit formula so that all taxable parcels received a credit. Like the old credit, this credit was computed as the school levy on a certain amount of property value. This credit was paid in 1997/98 and 1998/99.

In April 1999, Wisconsin voters approved an amendment to the State Constitution which permitted lottery net proceeds to be used to provide property tax relief to residents of the state and directed that the distribution of the net proceeds was not subject to the uniformity in taxation clause. In response, the Legislature amended the law so that credits would only be paid on primary residences beginning with the 1999/00 payment.

Payment

Lottery proceeds are paid into a separate, segregated state fund from which the lottery credit is paid. The Department of Administration, with the concurrence of the Legislature's Joint Finance Committee, determines the amount available for distribution as lottery and gaming credits. The Department of Revenue (DOR) is notified of this amount by November 1.

DOR determines the estimated fair market value necessary to distribute the available funds. This "credit value", set at \$11,600 for 2006/07, is determined after considering the estimated number of claims that will be paid and the average school property tax rate (for K-8, Union High, and K-12 school districts). If the fair market value of a qualifying owner's home is more than the "credit value", a full credit is paid. If the fair market value is less than the "credit value", the credit is paid on the actual value.

For a typical homeowner, the lottery and gaming credit is shown on tax bills as a reduction of property taxes due. For taxpayers paying their taxes in installments, the credit is applied to the first installment. The credit is paid to municipalities on the fourth Monday in March. The municipality treats the credit as general property tax collections paid by taxpayers.

For the owner of a principal residence that is a mobile home subject to a monthly parking fee (a property tax equivalent payment for mobile homes in certain registered mobile home parks), the credit is applied proportionately to each month's fee. The credit is paid to municipalities on the fourth Monday in March. After deducting 10% for administrative costs, the remainder is shared with the school district where the mobile home park is located in the same manner as general property tax collections would be shared.

In 2005/06, the lottery and gaming credit reduced the property taxes owed by approximately 1,432,000 homeowners by an average of \$82 and reduced parking fees owed by approximately 33,000 mobile home owners by an average of \$72.

Lottery and gaming credit payments since the credit was first established are summarized in the table below.

Property Tax Year	Credit Value (\$)	Payments Made To:		Average Credit (\$)	Total Credits (\$ millions)
		Homeowners	All Taxpayers		
1991/92	\$8,200	X		\$142	\$173.4
1992/93	9,150	X		167	203.9
1993/94	5,900	X		105	128.7
1994/95	6,700	X		110	136.3
1995/96	8,200	X		125	155.9
1996/97	None	None	None	None	None
1997/98	6,800		X	77	205.8
1998/99	4,600		X	52	142.7
1999/00	15,500	X		165	216.3
2000/01	6,400	X		67	90.6
2001/02	7,600	X		77	105.0
2002/03	7,800	X		76	106.2
2003/04	8,700	X		83	118.2
2004/05	9,600	X		92	131.9
2005/06	9,400	X		82	119.9
2006/07	11,600	X		96	Est. 145.2